

**ANNUAL FINANCIAL REPORT**  
**OF THE**  
**CITY OF NEW MARKET, TENNESSEE**  
**For the Fiscal Year Ended June 30, 2013**

**T. Joy Wilder**  
**Certified Public Accountant**  
**Morristown, Tennessee**

**CITY OF NEW MARKET, TENNESSEE  
JUNE 30, 2013  
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## **INTRODUCTORY SECTION**

**CHARLES GUINN**  
MAYOR

**CITY OF NEW MARKET**  
"A FRIENDLY, HISTORICAL CITY"  
P.O. BOX 300  
NEW MARKET, TN 37820  
(865) 475-3018

**ALDERMAN**

**ROSS CUNNINGHAM**  
**FRANK SOLOMON**  
**MAURICE SOLOMON**  
**CAROLYN WILLIAMS**

**GLORIA LARRANCE**  
CITY RECORDER

Honorable Mayor  
Recorder and Aldermen  
City of New Market  
New Market, Tennessee

In accordance with the Charter of the City of New Market, we are submitting the annual financial report for the fiscal year ended June 30, 2013. Responsibility for the accuracy and completeness of the presented data including all disclosures, rests with the City. To the best of our knowledge and belief, this report is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of the operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This report is presented in three sections: 1) **the Introductory Section** which includes the transmittal letter and a list of principal officials; 2) **the Financial Section** which includes the independent auditor's report, the management's discussion and analysis, the basic financial statements, the fund financial statements, and other supplementary information; and 3) **the Internal Control and Compliance Section** which includes reports issued by the auditor.

This report includes all funds of the City. The City provides a full range of services including General Administrative services, Recreational services, Police Protection, Public Improvements, Streets and Highways, and Sanitation and Solid Waste.

#### **Financial Information**

Management of the City is responsible for establishing and maintaining internal controls designed to insure that all assets of the City are protected from loss, theft, or misuse and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal controls designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.


The City is responsible for insuring that an adequate internal control structure is in place to insure compliance with applicable laws and regulations related to the operations of the City. This internal control structure is subject to periodic evaluation by management.

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to insure compliance with legal provisions, embodied in the annual appropriated budget approved by the Board of Mayor and Aldermen. Activities of the General Fund and Special Revenue funds are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department level.

The City Charter requires an annual audit of the annual financial statements by independent certified accountants. Accordingly, this year's audit was completed by T. Joy Wilder, Certified Public Accountant. In addition to meeting the requirements set forth in the City Charter, the audit was designed to meet State and federal audit requirements.

Respectfully submitted,

City of New Market

A handwritten signature in cursive script, appearing to read "Charles Guinn".

Charles Guinn  
Mayor

**CITY OF NEW MARKET, TENNESSEE**  
**LIST OF PRINCIPAL OFFICIALS**  
For the Year Ended June 30, 2013

**Mayor**

Charles Guinn

**Vice-Mayor**

Maurice Solomon

**Recorder**

Gloria Larrance

**Aldermen**

Ross Cunningham

Frank Solomon

Carolyn Williams

## **FINANCIAL SECTION**

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## **Independent Auditor's Report**

City Mayor and Board of Alderman  
City of New Market, Tennessee

### **Report on Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Market, Tennessee (the "City") as of and for the year then ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statement as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Market, Tennessee, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New Market's basic financial statements. The supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information included in the supplementary information section as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The information included in the introductory section as listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, I have also issued my report dated September 30, 2015, on my consideration of the City of New Market's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of New Market's internal control over financial reporting and compliance.



Certified Public Accountant  
Morristown, Tennessee  
September 30, 2015

CITY OF NEW MARKET, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 20, 2013

The management of the City of New Market, Tennessee (the City) offers readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 20, 2013.

#### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$234,735. Of this amount, \$406,971 is invested in capital assets (\$156,750 is restricted to state street aid. Unrestricted funds are (\$322,627).
- The City's total net position decreased by \$ 138,947.
- The City's total debt decreased by \$ 99,464.
- The City did not receive any funds for building improvements in the year ending June 30, 2013, and no interest was capitalized during the fiscal year.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report contains required supplementary information in addition to the basic financial statements.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements show functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). All of the City's activities are reported in governmental funds. The governmental activities include general services, public safety, highways and streets, and recreation. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. The government-wide financial statements can be found on pages 12-14 of this report.

#### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City uses several funds to account for a range of financial transactions. The City's major governmental fund is the General Fund.

#### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

#### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Statement of Net Assets provides the perspective of the City as a whole. The table below provides a summary of the City's net position for 2013 and 2012.

Table 1  
City of New Market's Net Position

	Governmental Activities	
	2013	2012
<b>Assets</b>		
Current and other assets	63,628	198,933
Capital assets	406,971	447,817
<b>Total assets</b>	<b>470,599</b>	<b>646,750</b>
<b>Liabilities</b>		
Current liabilities	62,328	185,954
Other liabilities	173,526	87,104
<b>Total liabilities</b>	<b>235,854</b>	<b>273,058</b>
<b>Net position</b>		
Invested in capital assets	406,971	348,353
Restricted	150,401	152,361
Unrestricted	( 322,627)	( 127,022)
<b>Total net position</b>	<b>234,745</b>	<b>373,692</b>
	=====	=====

The largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens.

The restricted section of the City's net position represents resources that are subject to external restrictions on how they may be used. The unrestricted is a negative number which lowers the amount that is actually available for restricted assets. This would make it difficult for the government to meet ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is not able to report positive balances in all three categories of net position. .

The table below provides a summary of the City's changes in net position for 2013 and 2012.

Table 2  
Statement of Activities

	Governmental Activities	
	2013	2012
Revenues		
Program revenue		
Charges for services	\$ 109,537	\$ 108,950
Operating grants and contributions	32,768	41,597
Capital grants and contributions	-0-	85,467
General revenue		
Taxes		
Sales taxes	155,769	170,826
In-lieu of tax	15,213	15,412
Wholesale beer tax	12,421	14,094
Income tax	26,018	11,083
Gas taxes	2,961	2,731
Other taxes	34,232	16,481
Interest earned	2,165	1,016
Miscellaneous	12,428	21,752
Total revenue	403,512	489,409
Program expenses		
General government	220,853	243,478
Public safety	210,563	181,704
Public works	73,004	99,307
Drug enforcement	2,021	6,056
State street aid	25,041	18,854
Sanitation	3,089	6,210
Recreation	7,888	7,169
Total program expense	542,459	562,778
Increase (decrease) in net assets	( 138,947)	( 73,369)
Net position, beginning	373,692	447,061
Net position, ending	\$ <u>234,745</u>	<u>373,692</u>

**Governmental Activities**

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Federal grants	0%	17%
Sales taxes	39%	34%
Charges for services	28%	22%
Operating grants and contributions	9%	8%
Other	24%	19%
	100%	100%
<b>Expenses</b>		
General government	41%	43%
Public safety	39%	32%
Public works	14%	17%
Other	6%	8%
	100%	100%

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The cost of the services supported by tax revenue and unrestricted State entitlements are identified.

Table 3

	<u>Total Cost of Services 2013</u>	<u>Net Cost of Services 2013</u>	<u>Total Cost of Services 2012</u>	<u>Net Cost of Services 2012</u>
General Government	\$220,853	216,401	243,478	154,821
Public safety	210,586	109,503	181,704	83,331
Drug enforcement	1,998	-2,004	6,056	-1,331
Public works	73,004	60,713	99,307	81,304
State street aid	25,041	4,564	18,854	-4,740
Sanitation	3,089	3,089	6,210	6,210
Recreation	7,888	7,888	7,169	7,169
	<u>542,459</u>	<u>400,154</u>	<u>568,877</u>	<u>326,764</u>

**General government** includes the executive, legislative, and judicial branches of the City. The municipal building operations and maintenance is also included.

**Public safety** includes all activities of the police department along with the upkeep of fire hydrants. The public safety fund also provides funding to New Market Volunteer Fire Department.

**Drug enforcement** includes police activity that eradicates illegal drug use which also includes the production and distribution of illegal drugs.

**Public works** includes the operation and maintenance of streets, sidewalks, alleys, and roads.

**State street aid** includes the administration of gas taxes restricted for the maintenance of the City's roads, sidewalks, and streets.

**Recreation** includes the activities of the parks and community center.

At the end of the fiscal year, all governmental funds had a fund balance of \$17,226. This is a decrease of \$197,565 from 2012. The decrease is mainly due to a decrease in fines and also decrease in taxes.

#### **Capital Assets and Debt Administration**

At the end of the fiscal year 2013, the City had \$406,971 invested in land, buildings and improvements, transportation equipment, and machinery and equipment. Table 4 shows balances for the fiscal years of 2013 and 2012.

Table 4  
**Capital Assets (Net of Depreciation) at June 30**

	2013	2012
Land	\$ 69,474	\$ 69,474
Buildings and improvements	130,922	138,847
Machinery and equipment	97,726	120,422
Vehicles	108,849	119,074
	\$ 406,971	\$ 447,817
	=====	

Overall capital assets decreased by \$ 40,846 for the fiscal year 2011. The depreciation expense for the fiscal year was \$ 40,846.



**Debt Administration – Governmental Activities**

The City had debt at the end of the last fiscal year that included a bank loan with a balance of \$99,464. The City has paid off this debt on June 18, 2013 with money from two certificates of deposit. As of the date of this report, the City does not have any bank loans. The City does however have an amount of \$185,526 due to the Internal Revenue Service for past taxes dating back to 2010. The city recorder at the time was not paying the payroll taxes. A payment plan of \$1,000 has been set up with the Internal Revenue Service.

**General Fund Budget**

The City's budget is prepared according to the Tennessee law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The General Fund is the most significant budgeted fund.

**CURRENT FINANCIAL ISSUES AND CONCERNS**

The City has experienced a decline in the fund balance for the fiscal year 2012. The decline was more for this fiscal year than for the fiscal year 2012. The City's main goal is to use the budgets to predict and control costs so that the General Fund balance remains strong. The City is also working towards providing sewer services in future years.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City of New Market's finances and to show the City's accountability for the money it receives. Questions should be directed to the City of New Market, P.O. Box 300, New Market, Tennessee 37820.

**CITY OF NEW MARKET, TENNESSEE**  
**Statement of Net Assets**  
**June 30, 2013**

	<b>Governmental Activities</b>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 21,088
Receivables:	
Due from other governmental units	38,122
<b>Total current assets</b>	<b>59,210</b>
Restricted assets:	
Cash and cash equivalents	1,565
Due from other governmental units	2,853
<b>Total restricted assets</b>	<b>4,418</b>
Capital assets:	
Land	69,474
Depreciable capital assets	677,482
	<b>746,956</b>
Less: Accumulated depreciation	( 339,985)
<b>Total capital assets</b>	<b>406,971</b>
<b>Total Assets</b>	<b>\$ 470,599</b>
	=====

See accompanying independent auditors' report and notes.

(continued)

**CITY OF NEW MARKET, TENNESSEE**  
**Statement of Position**  
**(Continued)**  
**June 30, 2013**

<b>LIABILITIES AND NET POSITION</b>	<b>Governmental</b>	<b><u>Activities</u></b>
Current liabilities:		
Accounts payable	\$	36,286
Accrued liabilities		26,042
Total current liabilities		<u>62,328</u>
Long-term liabilities:		
Accrued payroll taxes payable		173,526
Total long-term liabilities		<u>173,526</u>
		<u>235,854</u>
Net position:		<u>406,971</u>
Invested in capital assets		( 6,349)
Restricted:		
<i>Drug enforcement fund</i>		156,750
State street aid		(322,627)
Unrestricted		<u>234,745</u>
Total net position		<u>470,599</u>
Total liabilities and net position	\$	<u>=====</u>

See accompanying independent auditors' report and notes.



**CITY OF NEW MARKET TENNESSEE**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2013**

	General Fund	State Street Aid	Other Governmental Funds	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 21088	\$	\$	\$ 21088
Receivables				
Due from other governmental units	38122			38122
Due from other funds	6349			6349
Restricted assets:				
Cash and cash equivalents			1565	1565
Due from other governmental funds		2853		2853
Due from other funds		<u>156750</u>		<u>156750</u>
Total Assets	\$ <u>65559</u>	\$ <u>159603</u>	\$ <u>1565</u>	\$ <u>226727</u>
<u>LIABILITIES AND FUND EQUITIES</u>				
Liabilities				
Accounts payable	\$ 36286	\$	\$	\$ 36286
Accrued liabilities	199568			199568
Due to other funds	<u>165099</u>			<u>163099</u>
Total Liabilities	<u>398953</u>			<u>398953</u>
Fund Equities:				
Drug Enforcement Fund			-6349	
State Street Aid		156750		
Unreserved	<u>-322627</u>			
Total liabilities and fund equities	\$ <u>69977</u>	\$ <u>156750</u>	\$ <u>-6349</u>	\$ <u>226727</u>

**CITY OF NEW MARKET, TENNESSEE**

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures  
and Changes in Fund Balance to the Statement of Activities**

**For the Fiscal Year Ended June 30, 2013**

Total net changes in fund balances – governmental funds	\$ (197,565)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays (\$-0-) exceeds depreciation expense (\$40,846) in the period.	(40,846)
Repayment of capital lease and note payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of assets.	99,464
	<hr/>
Change in net assets of governmental activities.	<u>\$ ( 138,947)</u>

See independent auditor's report and notes.

**CITY OF NEW MARKET, TENNESSEE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2013**

	<u>General Fund</u>	<u>State Street Aid</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Revenues:				
Local Taxes	\$ 76,050	\$	\$	\$ 76,050
Intergovernmental revenue	138,784	20,477		159,261
Fines	101,083		4,002	105,085
Interest	2,165			2,165
Other revenue	<u>26,194</u>	<u></u>	<u></u>	<u>26,194</u>
Total revenues	<u>344,276</u>	<u>20,477</u>	<u>4,002</u>	<u>368,755</u>
Expenditures:				
General Government	247,823			247,823
Public Safety	210,562			210,562
Public Works	73,608	25,041		98,649
Recreation	7,888			7,888
Drug Enforcement	<u></u>	<u></u>	<u>1,398</u>	<u>1,398</u>
Total expenditures	<u>539,881</u>	<u>25,041</u>	<u>1,398</u>	<u>566,320</u>
Other Financing Sources				
Interfund transfers in				
Interfund transfers out				
Total Other Financing Sources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net Changes in Fund Balance	( 195,605)	( 4,564)	2,604	( 197,565)
Fund Balance, beginning	<u>( 127,022)</u>	<u>161,314</u>	<u>( 8,943)</u>	<u>25,339</u>
Fund Balance, ending	<u>\$ ( 322,627)</u>	<u>\$ 156,750</u>	<u>\$ ( 6,349)</u>	<u>\$ ( 172,226)</u>

See accompanying notes to basic financial statements.

**CITY OF NEW MARKET, TENNESSEE****Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position****June 30, 2013**

Total fund balances – governmental funds \$ ( 172,226)

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$746,956 and the accumulated depreciation is \$339,985.

406,571

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Total net position – governmental activities \$ 234,745

See independent auditor's report and notes.



## CITY OF NEW MARKET

## General Fund

Statement of revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For Fiscal Year Ended June 30, 2013

(With Comparative totals for the Fiscal Year Ended June 30, 2012)

	2013 Final Budget	2012 Final Budget	2013 Actual	2012 Actual
<b>Revenues:</b>				
Local taxes:				
Local Sales Tax	\$ 25,000	\$ 25,000	\$ 61,049	\$ 71,071
Wholesale beer tax	<u>15,000</u>	<u>15,000</u>	<u>15,001</u>	<u>14,094</u>
Total Local Taxes	<u>40,000</u>	<u>40,000</u>	<u>76,050</u>	<u>85,165</u>
Intergovernmental revenue:				
Tennessee Valley Authority in lieu of tax	7,000	7,000	15,213	15,412
State of Tennessee:				
Sales tax	60,000	60,000	91,759	116,236
Income tax	2,000	2,000	8,360	11,083
State beer tax	500	500	660	665
State streets and transportation tax	-	-	2,734	2,731
Law enforcement supplement	600	600	2,400	2,400
State mowing contract	<u>21,095</u>	<u>21,095</u>	<u>17,658</u>	<u>18,003</u>
Total Intergovernmental revenue	<u>91,195</u>	<u>91,195</u>	<u>138,784</u>	<u>168,320</u>
Charges for services:				
Community center rent	-	-	-	3,190
Fines, forfeits and penalties:				
Fines and costs	<u>62,000</u>	<u>62,000</u>	<u>101,083</u>	<u>98,975</u>
Other revenues:				
Interest on investments	10,000	10,000	2,165	3,016
Cable T.V. franchise tax	3,000	3,000	9,314	8,656
Permits and fees	-	-	4,452	1,332
Other	<u>2,000</u>	<u>2,000</u>	<u>12,428</u>	<u>4,507</u>
Total other revenues	<u>15,000</u>	<u>15,000</u>	<u>28,359</u>	<u>15,511</u>
Total revenues	<u>208,195</u>	<u>208,195</u>	<u>344,276</u>	<u>370,561</u>
<b>Expenditures:</b>				
General government				
City court:				
Court costs	<u>6,000</u>	<u>6,000</u>	<u>10,901</u>	<u>6,172</u>
Total city court	<u>6,000</u>	<u>6,000</u>	<u>10,901</u>	<u>10,901</u>
Elections:				
Election costs	<u>5,000</u>	<u>5,000</u>	<u>384</u>	<u>507</u>
Total election costs	<u>5,000</u>	<u>5,000</u>	<u>384</u>	<u>507</u>

(Continued)

## CITY OF NEW MARKET, TENNESSEE

## General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget & Actual  
(Continued)

For the Fiscal Year Ended June 30, 2013

(With Comparative Totals for the Fiscal Year Ended June 30, 2013)

	2013 Final <u>Budget</u>	2012 Final <u>Budget</u>	2013 <u>Actual</u>	2012 <u>Actual</u>
Expenditures:				
General government (continued):				
Other general government:				
Wages	\$ 44,500	\$ 44,500	\$ 48,295	\$ 53,764
Payroll taxes	25,000	25,000	19,156	19,622
Penalty on payroll taxes	-	-	2,695	-
Publication of legal notices	4,000	4,000	2,623	708
Legal services	10,000	10,000	5,385	3,820
Accounting and auditing	20,000	20,000	4,666	9,334
Other professional services	10,000	10,000	-	9,735
Contribution to volunteer	31,250	31,250	26,250	26,250
Repairs and maintenance – building	40,000	40,000	6,252	3,923
Telephone	-	-	13,638	14,014
Utilities	40,000	40,000	21,824	22,039
Capital outlay	4,000	4,000	10,185	11,550
Insurance	45,000	45,000	47,837	21,162
Donations	-	-	125	125
Bank charges/Credit card charges	-	-	4,049	5,466
Office expense	8,000	8,000	16,156	21,336
Travel	-	-	1,289	1,291
Miscellaneous	-	-	-	3,604
Interest expense	-	-	1,560	2,417
Other expense	<u>6,000</u>	<u>6,000</u>	<u>4,553</u>	<u>2,959</u>
Total other general government	<u>287,750</u>	<u>287,750</u>	<u>236,538</u>	<u>233,319</u>
Total general government	<u>287,750</u>	<u>287,750</u>	<u>247,823</u>	<u>239,491</u>
Public safety:				
Wages	243,802	243,802	135,028	114,471
Radio and other communications	-	-	600	-
Animal control	6,500	6,500	574	-
Supplies	-	-	2,304	-
Clothing and uniforms	-	-	5,702	2,638
Gas, oil and diesel fuel	25,000	25,000	25,418	25,350
Repairs and maintenance – vehicles	-	-	9,615	3,136
Litigation tax	20,000	20,000	11,046	7,485
Other expense - lease	20,000	20,000	-	12,051
Grant	45,000	45,000	-	-
Capital outlay	37,000	37,000	19,161	14,829
Towing service	-	-	-	450
Computer expense	-	-	1,114	2,907
Public safety equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>315</u>
Total public safety	<u>397,302</u>	<u>397,302</u>	<u>210,562</u>	<u>183,632</u>

See accompanying notes to basic financial statements.

## CITY OF NEW MARKET, TENNESSEE

## General Fund

Statement of Revenues, Expenditures, and changes in fund Balance – Budget and Actual  
(Continued)

For the Fiscal Year Ended June 30, 2013

	2013 Final Budget	2012 Final Budget	2013 Actual	2012 Actual
Expenditures (Continued):				
Public works:				
Wages	\$ 80,000	\$ 80,000	\$ 56,749	\$ 81,178
Grant expenses	150,000	150,000	-	-
Vehicle maintenance	-	-	600	6,349
Street maintenance	25,000	25,000	-	4,879
Repairs – equipment	-	-	6,039	3,643
Snow and ice control	5,000	5,000	-	-
Gas, oil and diesel fuel	-	-	7,720	8,548
Tree trimming	3,000	3,000	-	-
Other expenses	15,000	15,000	2,498	-
Capital outlay	111,000	111,000	11,501	13,975
Trash pickup	15,000	15,000	-	-
Lease expense	-	-	-	6,025
Uniforms	-	-	-	393
Total public works	<u>404,000</u>	<u>404,000</u>	<u>73,608</u>	<u>124,363</u>
Parks and recreation:				
Recreation director	-	-	3,900	3,843
Supplies	-	-	3,988	3,327
Capital outlay	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>-</u>
Total parks and recreation	<u>40,000</u>	<u>40,000</u>	<u>7,888</u>	<u>7,170</u>
Contingency	<u>211,315</u>	<u>211,315</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,351,367</u>	<u>1,351,367</u>	<u>539,281</u>	<u>554,656</u>
Revenues over(under) expenditures	<u>(1,143,172)</u>	<u>(1,143,172)</u>	<u>(195,605)</u>	<u>( 184,095)</u>
Other financing sources (uses):				
Transfer to Sanitation Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 6,210)</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,210</u>
Revenues and other financing sources under expenditures and other financing uses	<u>(1,143,172)</u>	<u>(1,143,172)</u>	<u>(195,605)</u>	<u>(190,305)</u>
Fund balance, beginning	<u>725,212</u>	<u>725,212</u>	<u>(127,022)</u>	<u>63,283</u>
Fund balance, ending	<u>\$ ( 417,960)</u>	<u>\$ ( 417,960)</u>	<u>\$ (322,627)</u>	<u>\$ (322,627)</u>

See accompanying notes to basic financial statements.

**CITY OF NEW MARKET, TENNESSEE**  
**State Street Aid Fund**

**Statement of Revenues, Expenditure, and Changes in Fund Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2013**

	<u>2013</u> <u>Budget</u>	<u>2012</u> <u>Budget</u>	<u>2013</u> <u>Actual</u>	<u>2012</u> <u>Actual</u>
<b>Revenues:</b>				
State Gasoline and motor fuel	\$ 29,500	\$ 29,500	\$ 20,477	\$ 23,063
Total Revenues	<u>29,500</u>	<u>29,500</u>	<u>20,477</u>	<u>23,063</u>
 <b>Expenditures</b>				
Street Lighting	10,000	10,000	1,789	4,879
Equipment	15,000	15,000	8,472	13,975
Uniforms			2,061	
Fuel			6,303	
Contractual Services	40,000	40,000		
Miscellaneous			6,456	
Expenditures	<u>65,000</u>	<u>65,000</u>	<u>25,041</u>	<u>18,854</u>
 <b>Total</b>				
Revenues over (under) expenditures	( 35,500)	( 35,500)	( 4,564)	( 4,740 )
 <b>Fund balance, beginning</b>	<u>83,335</u>	<u>83,335</u>	<u>161,314</u>	<u>136,369</u>
<b>Fund balance, ending</b>	<u>\$ 47,835</u>	<u>\$ 47,835</u>	<u>\$ 156,750</u>	<u>\$ 161,314</u>

See accompanying independent auditor's report and notes.

**CITY OF NEW MARKET, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General Information**

The financial statements of the City of New Market (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State Local Governmental and Units* and by the Financial Accounting Standards Board where applicable. All applicable GASB Statements have been implemented. The City classifies its net assets as defined below:

- \* **Invested in Capital Assets** - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital asset. Rather, that portion of the is included in the same net assets component as the unspent proceeds.
- \* **Restricted** – This component of net assets consists of restrictions placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or restrictions imposed by law through constitutional provisions or enabling legislation.
- \* **Unrestricted net assets** - This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets.”

**CITY OF NEW MARKET, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**(Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The City also follows the provisions of Governmental Accounting Standards Board Statement No. 33, Accounting and Financial Reporting for Nonexchange Transaction. This statement requires that capital contributions to the City be presented as a change in net assets.

**B. Reporting Entity**

The City's basic financial statements include the accounts of all City operations. The criteria for including as component units within the City's reporting entity, as set forth Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is a fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of New Market, Tennessee has no component units.

**C. Basis of Presentation**

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**1. Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statement of net assets presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities.

**CITY OF NEW MARKET, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation (Continued)**

**2. Fund Financial Statements**

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are presented and aggregated in a single column.

**D. Fund Accounting**

The City's financial records are maintained using funds which are defined as a fiscal and accounting entity with a self-balancing set of accounts. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled. The City's governmental funds are described below:

General Fund – The General Fund is the operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

**E. Measurement Focus and Basis of Accounting**

The government-wide financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing

**CITY OF NEW MARKET, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**(Continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Measurement Focus and Basis of Accounting (Continued)**

of related cash flows. Grants and similar items are recognized as revenue as soon all eligibility requirements imposed by the provider have been met. The government-wide financial statements include all assets and liabilities associated with the operations on the statement of net position.

The government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified basis of accounting, revenue is recorded when it becomes susceptible to accrual (measurable and available). Under this measurement focus, only current assets and liabilities are generally included on the balance sheet. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. This produces the need for a reconciliation to identify the relationship between the government-wide statements and the statements for governmental funds.

**1) Revenues – Exchange and Nonexchange Transactions**

Revenues arising from exchange transactions where the value is equal are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within one year of the fiscal year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return must also be available before it can be recognized under the modified accrual basis. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements are met.

The following revenue sources are considered to be both measurable and available at fiscal year end under the modified accrual basis: sales tax, franchise taxes, licenses, charges for services, interest income, and intergovernmental revenue.



**CITY OF NEW MARKET, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**(Continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Measurement Focus and Basis of Accounting (Continued)**

**2) Deferred Revenue**

When assets are recognized before revenue criteria for recognition are satisfied, deferred revenue arises. Some examples of deferred revenue are grants and entitlements. Receivables will be reported as deferred income if they will not be collected within the available period.

**3) Expenses/Expenditures**

Under the accrual basis of accounting, expenses are recognized at the the expense is incurred. In governmental fund accounting the focus is on the decrease in net financial sources (expenditures). If measurable, expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Costs such as depreciation and amortization are not recognized in governmental funds.

**F. Budgetary Procedures**

The budget for the City is prepared and approved by the Board of Mayor and Aldermen. All supplemental appropriations must be approved. Actual expenditures cannot legally exceed the budget appropriations at the individual fund level. The budgetary control, however, is maintained at the department level. Appropriations lapse at the close of the fiscal year.

The budget is prepared on a basis of accounting that differs from accounting principles generally accepted in the United States of America. Encumbrances are recorded as the equivalent of budgeted expenditures. The Board of Mayor and Aldermen adopt the budget prior to the end of the fiscal year.

**CITY OF NEW MARKET, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**(Continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Cash Equivalents**

For the purposes of these financial statements, the City considers all highly liquid investments (including restricted assets) having original maturity dates of three months or less when purchased to be cash equivalents.

**H. Inventories**

Inventories are valued at the lower of cost (weighted average method) or market.

**I. Interfund Activity**

Short-term amounts owed between funds are classified as "Due to/from other funds." Interfund loans are classified as "Interfund notes receivable/payable" and are offset by a fund balance reserve account. Repayments from funds that initially paid for them are not presented in the financial statements. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers.

**J. Capitalized Interest**

Interest expense paid as part of the cost of construction is capitalized by the City. There was no capitalized interest for the year ended June 30, 2013.

**K. Capital Assets**

Capital assets are reported in the government activities column of the government-wide statement of net assets. The assets are not reported in the fund financial statements. The City capitalizes assets with a cost of five hundred dollars or more. The assets are recorded at cost except for donated assets which are valued at their estimated fair market value as of the date the asset is received. Major repairs that extend an asset's life are also capitalized. Land is considered a nondepreciable asset along with some land improvements. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	30 years
Machinery and equipment	10 years
Vehicles	10 years

**CITY OF NEW MARKET, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**(Continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Reserves and Designation of Fund Balance**

Reserves - The portion of fund equity which is legally separated for a specific use or which does not represent available expendable resources are reserved and are not available for expenditure or appropriation.

Designation - Fund balances can be designated to indicate planned expenditures of financial resources. The designations can be changed if the City's intentions change. Designations are reported as part of unreserved fund balance.

The designation and reservation for specific purposes represents General Fund and Special Revenue Fund balances as follow:

<u>Purpose</u>	<u>General Fund</u>	<u>Drug Enforcement Fund</u>
Reserved for Drug Enforcement Fund		\$ (6,349)

**M. Compensated Absences**

Compensated absences are reported in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Vacation time is accrued as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employee for the benefits through time off or other means. The time is accrued as a liability. The entire compensated absences liability is reported on the government-wide financial statements.

For governmental funds, the current portion of the accrued compensated absences is in the amount expected to be paid using expendable available resources. The noncurrent portion of the liability is not reported.

Sick leave accrues at one-half day per month for full-time employees only. Two weeks of annual leave may be earned by employees depending on their years of service. This leave is forfeited if not taken by year end.

**N. Restricted Assets**

Constraints imposed by creditors, contributors, grantors, or laws of other governments can set limitations on the availability of assets. These assets are reported as restricted.

**CITY OF NEW MARKET, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**P. Net Position**

Net position represents the difference between assets and liabilities. Net position is into three categories. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the purchase or improvement of the assets. Net position is reported as restricted if there are limitations imposed on the assets by legislation, creditors, grantors, or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. There were no occurrences of extraordinary or special items during the fiscal year 2010.

**R. Totals**

The total column on the combined fund financial statements is only presented to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**S. Reclassifications**

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

**CITY OF NEW MARKET, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**(Continued)**

**NOTE 2 – CASH AND CASH EQUIVALENTS**

The following are the components of the City's cash and cash equivalents at June 30, 2013:

<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
\$ 21,088	\$ 1,565	\$ 22,653
=====	=====	=====

At June 30, 2013, all of the City's deposits with financial institutions were insured by Federal Depository Insurance or by the bank's participation in the State of Tennessee Bank Collateral Pool.

**NOTE 3 – CAPITAL ASSETS**

Governmental asset activity for the fiscal year ended June 30, 2013 was as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 69,474	\$ -	\$ -	\$ 69,474
Capital assets, being depreciated				
Buildings and improvements	180,958	-	-	180,958
Machinery and equipment	282,973	-	-	282,973
Vehicles	213,551	-	-	213,551
Total capital assets, being depreciated	677,482	-	-	677,482
Less accumulated depreciation for:				
Buildings and improvements	( 42,111)	( 5,098)	-	( 42,111)
Machinery and equipment	( 162,551)	( 20,077)	-	( 162,551)
Vehicles	( 94,477)	( 15,671)	-	( 94,477)
Total accumulated	(299,139)	( 40,846)	-	( 335,985)
Capital assets, being depreciated, net	378,343	(40,846)	-	337,497
Governmental activities capital assets, net	\$ 447,817	\$ (40,846)	\$ -	\$ 406,971

**CITY OF NEW MARKET, TENNESSEE**  
**NOTES FOR BASIC FINANCIAL STATEMENTS**  
**(Continued)**

**NOTE 4 – INTERFUND RECEIVABLES/PAYABLES**

Interfund receivable/payable balances at June 30, 2013 are as follows:

	Due To	
	State Street Aid Fund	General Fund
<u>Due From</u>		
General Fund	\$ 156,750	\$ -
Drug Fund	-	6,349
	<u>\$ 156,750</u>	<u>\$ 6,349</u>

**NOTE 5 – DUE FROM OTHER GOVERNMENTS**

Amounts due from other governments at June 30, 2013 were as follows:

State of Tennessee	Sales Tax	\$ 32,835
State of Tennessee	Gasoline and Motor Fuel Tax	2,853
Jefferson County	Local Option Sales Tax	5,087
		<u>\$ 40,975</u>

**NOTE 6 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City purchases commercial insurance for all of these risks of loss.

**CITY OF NEW MARKET, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**(Continued)**

**NOTE 7 – RETIREMENT PLAN**

The City sponsors a SIMPLE IRA pension plan for the benefit of all full-time employees. Employees may elect to contribute up to 10% of their compensation to the plan. The City matches the employee's contributions up to 3% of the employee's compensation for the year. The City is now responsible for \$14,245 of withheld retirement that was not paid in. The City will be paying these amounts back to individual employees when the funds are available.

**NOTE 8 – PAYROLL TAXES**

The City is also responsible for payroll taxes that were not paid dating back to the year 2010. The amount owed is \$185,526. An agreement was made with the Internal Revenue Service to pay installments of \$1,000 per month until all taxes and penalties and interest are paid off. This agreement was started in August of 2014.

**NOTE 9 – INVESTIGATIVE REPORT**

An investigative audit was conducted by the Comptroller of the Treasury, Division of Investigations, Special Investigations Unit, in conjunction with the Tennessee Bureau of Investigation for the period of September 1, 2009 through April 30, 2013. The report was issued on January 16, 2014. The investigation revealed three instances of misappropriated funds which totaled \$ 40,087. Details of the findings of the audit are found on pages 43-44 of this report. The report is available on the Tennessee Comptroller of the Treasury website.

## **OTHER SUPPLEMENTARY INFORMATION**



**CITY OF NEW MARKET, TENNESSEE**

**Schedule of Insurance  
June 30, 2013**

Automobile Coverage	Bodily injury – per person	\$ 300,000
	Bodily injury – per occurrence	700,000
	Property damage – per occurrence	100,000
General Liability Coverage	Public officials errors and omissions	1,000,000
Workers' Compensation		Statutory
Employee Dishonesty bond		100,000
Property Coverage		1,200,000

See independent auditor's report and notes.

## CITY OF NEW MARKET, TENNESSEE

**Nonmajor Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2013**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2012)**

	Sanitation Fund				Drug Enforcement Fund				Total Nonmajor Governmental Funds			
	2013 Final Budget	2012 Final Budget	2013 Actual	2012 Actual	2013 Final Budget	2012 Final Budget	2013 Actual	2012 Actual	2013 Final Budget	2012 Final Budget	2013 Actual	2012 Actual
<b>Revenues:</b>												
Drug related fines	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,002	\$ 7,385	\$ -	\$ -	\$ 4,002	\$ 7,385
Interest earned	-	-	-	-	-	-	-	2	-	-	-	2
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,002</b>	<b>7,387</b>	<b>-</b>	<b>-</b>	<b>4,002</b>	<b>7,387</b>
<b>Expenditures:</b>												
Salary	-	-	-	6,210	-	-	-	-	-	-	-	6,210
Supplies	-	-	-	-	-	-	1,366	-	-	-	1,366	-
Bank services charges	-	-	-	-	-	-	32	-	-	-	32	-
Lease expense	-	-	-	-	-	-	-	6,056	-	-	-	6,056
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,210</b>	<b>-</b>	<b>-</b>	<b>1,398</b>	<b>6,056</b>	<b>-</b>	<b>-</b>	<b>1,398</b>	<b>12,266</b>
<b>Revenues over (under) expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,210)</b>	<b>-</b>	<b>-</b>	<b>2,604</b>	<b>1,331</b>	<b>-</b>	<b>-</b>	<b>2,604</b>	<b>(4,879)</b>
<b>Other Financing sources:</b>												
General Fund Transfer	-	-	-	6,210	-	-	-	-	-	-	-	6,210
<b>Revenues and other financing sources over (under) expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,604</b>	<b>1,331</b>	<b>-</b>	<b>-</b>	<b>2,604</b>	<b>1,331</b>
<b>Fund balance -beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>( 8,953)</b>	<b>(10,284)</b>	<b>-</b>	<b>-</b>	<b>( 8,953)</b>	<b>(10,284)</b>
<b>Fund balance - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (6,349)</b>	<b>\$ ( 8,953)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (6,349)</b>	<b>\$ ( 8,953)</b>

See accompanying notes to basic financial statements.

## CITY OF NEW MARKET, TENNESSEE

Nonmajor Governmental Funds  
Combining Balance Sheet

June 30, 2013

	Sanitation Fund	Drug Enforcement Fund	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ -	\$ -0-	-0-
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -0-</u>
<u>LIABILITIES AND FUND EQUITIES</u>			
Liabilities			
Due to General Fund	\$ -	\$ 6,349	\$ 6,349
Total Liabilities	-	6,349	6,349
Fund equities (deficit)			
Reserved	-	( 6,349)	( 6,349)
Total fund equities (deficit)	-	( 6,349)	( 6,349)
Total liabilities and fund equities (deficit)	<u>\$ -</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See independent auditor's report and notes.

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

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**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance With  
Government Auditing Standards**

Mayor and Board of Alderman  
City of New Market, Tennessee

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Market, Tennessee (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated September 30, 2015.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the City's internal control over financial reporting (internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies. Finding (13-1) Financial Statements and Finding (13-2) Payroll.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **City's Response to Findings**

The City's response to the findings identified in my audit are described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Morristown, Tennessee  
September 30, 2015

**CITY OF NEW MARKET, TENNESSEE****Summary Schedule of Prior Audit Findings**

All reportable significant deficiencies from the June 30, 2012 auditor's report on compliance and internal control, except for the items referenced in the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing standards, were not noted during the performance of the current year audit.

**CITY OF NEW MARKET, TENNESSEE**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2013**

**2013-1 Financial Statements**

During the audit, I found the financial statements to be incomplete. There were some bank accounts that were not on the financial statements and several accounts such as receivables, accounts payable, notes payable, and fixed asset accounts that were not showing on the statements. These statements were not presented in accordance with general accepted accounting principles. There were no adjustments showing a rather large payoff of a note payable. No adjustments were made through the general journal because these accounts do not exist on the financial statements. There was a large payable to the IRS that was not entered on the financial statements. And no accrued expenses were entered on the financial statements for the retirement taken out of payroll checks. This amount had been taken out of checks, but had not been paid to the retirement account of the employees.

**Recommendation:**

A chart of accounts should be set up and all accounts be entered on the financial statements. General journal entries should be made in situations where there is an adjustment that needs to be entered on the computer. All accrued expenses should be shown on the financial statements. General journal adjustments should be made for all transactions that should be included in the financial statements.

**Management's Response:**

We will make an effort to ensure that all accounts and related transactions pertaining to those accounts are entered and shown on the financial statements.

**2013-2 Payroll**

There are several issues dealing with payroll that I noted during my audit. The biggest issue is the filling out of payroll tax returns and paying the payroll taxes on time. The City now has a payable to the IRS for \$185,526. This bill is going back as far as 2010. The IRS has been kind enough to allow the City to make installment payments. There were missing check stubs for April – June of 2013.

**Recommendation:**

Better records should be kept for the payroll. Vacation and sick pay needs to be accrued and records kept. Taxes should be paid when due.

**Management's Response:**

We will make a better effort to make sure all payroll records are kept and taxes paid. We will have meetings with employees to be sure all guidelines for vacation and sick pay are met.



**CITY OF NEW MARKET, TENNESSEE**  
**Schedule of Findings and Responses**  
**(Continued)**

**Finding Number 2013-3 Investigative Audit**

On January 16, 2014, the Tennessee Comptroller of the Treasury Division of Investigations, Special Investigations Unit, in conjunction with the Tennessee Bureau of Investigation, issued a report on its investigation of the City of New Market. The report disclosed the following findings:

- 1) Misappropriated funds of \$25,009 by former recorder
- 2) Misappropriated funds of \$13,793 by former recorder
- 3) Employee used city fuel card for personal benefit

**Internal Control and Compliance Deficiencies Findings**

- 1) Failure to adequately segregate financial duties
- 2) City officials failed to comply with state law when obtaining loans
- 3) Lack of oversight of city fueling system
- 4) Failure to notify the Comptroller of the Treasury of possible unlawful conduct
- 5) Comprehensive written purchasing policy

The report is available at the Tennessee Comptroller of the Treasury website and contains more detail on each of these issues.

**Recommendations:** As recommended in the investigative report, the Board of Aldermen and Mayor should take the following actions in response to the findings:

- 1) Ensure that no employee has complete control of a financial transaction. Elected officials should provide for increased oversight, when appropriate.
- 2) City officials should follow all state statutes and rules when issuing debt. Guidance should be sought for nonconforming obligations through the Comptroller's Office.
- 3) City officials should review, monitor, and reconcile all fuel purchases paid with city funds. Any discrepancies should be investigated immediately.
- 4) To comply with state statutes, city officials should report all incidents of possible fraud to the Comptroller of the Treasury within five working days of discovery of occurrence.
- 5) To adequately regulate and monitor expenditures, city officials will develop and adopt a comprehensive written purchasing policy.

**CITY OF NEW MARKET, TENNESSEE**  
**Schedule of Findings and Responses**  
**(Continued)**

**Responses:** The following responses were received from the City officials.

- 1) Elected officials will increase oversight of all financial transactions. The mayor and an alderman must now sign all checks that are disbursed by the city and examine the bank statement, canceled checks, and the financial report.
- 2) The city officials will follow all state statutes and rules when issuing debt with any future debt issuance.
- 3) City officials will monitor and reconcile all fuel purchases paid with city funds on a monthly basis.
- 4) All incidents of possible fraud will be immediately reported to the Comptroller of the Treasury.
- 5) City officials will develop and adopt a comprehensive written purchasing policy.